HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2010

Housing starts forecast

Figure 1

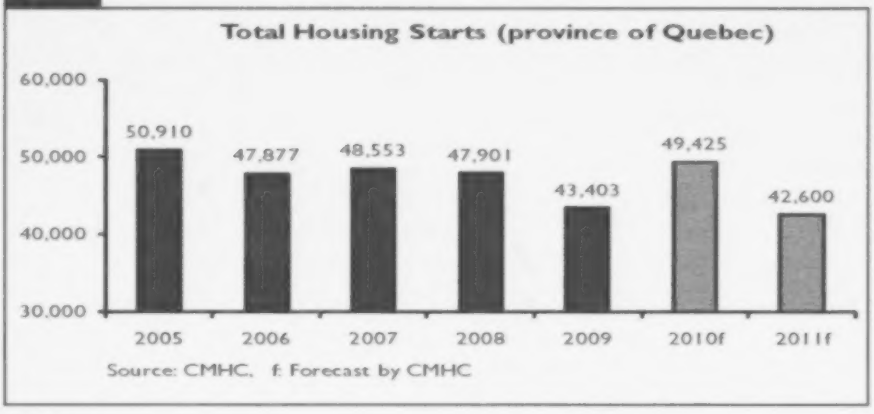
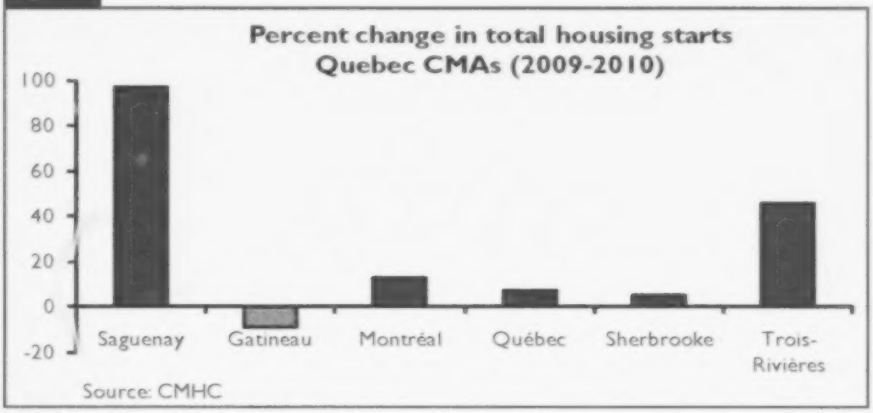


Figure 2



Overview[1]

A recovering economy, favorable borrowing conditions, and strong migratory flows will fuel Quebec's housing markets this year.

Since the second half of 2009, the impact of improving global and national economic environments was already apparent in all sectors of Quebec's economy. In addition to public spending on infrastructure projects, both household spending and private investment have started to grow, while exports have reacted positively to increased global demand. As a result, economic growth is expected to be 3.1 per cent in 2010 and 2.6 per cent in 2011.

A variety of demographic factors will also sustain the province's housing markets in the coming years. Growing net migration to the province will continue to have a positive impact on the rental and resale markets. In addition, population ageing and the recent increase in the birth rate will likely prompt households to adjust their housing needs.

[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of July 30, 2010.

In Detail

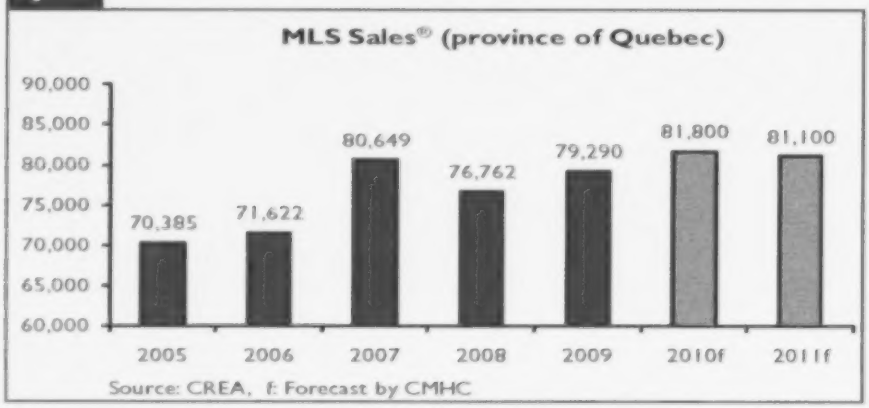
Single Starts: Recently, starts of single detached homes have benefited significantly from the improved economic and financial environment as well as from the reduced supply of such homes on the resale market. However, the easing of the resale market, combined with a trend toward more affordable housing, will take pressure off of new construction going forward. About 19,525 single detached starts are expected in 2010

Multiple Starts: Two factors will dampen starts of multiple family homes in 2011: the current high level of inventory, which will remain relatively high, and the lower growth rate of the population aged 75 and over, which will limit demand for retirement homes. Nonetheless, given the strong pace at the outset of the year multiple starts will rise above the 29,000 unit mark in 2010, moving down to under 25,000 in 2011.

Resales: Following a strong recovery in 2009, which was extended into the first quarter of 2010, MLS® sales will moderate during the remainder of this year. Sales of existing condominiums (town houses or apartments) will again be an important component of the total. The Multiple Listing Service (MLS®) will record 81,800 unit sales this year, while 2011 will see approximately 81,100 unit sales.

Prices: Decreasing demand for resale homes, combined with rising supply, will take pressure off prices over the course of the next two years. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2010 to $238,900. By 2011, price growth will be more in line with inflation to about $242,000.

Figure 3



Source: CREA, f: Forecast by CMHC

Mortgage Rates

Posted mortgage rates will gradually increase in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.0 to 6.5 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 4.5 to 6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.0 to 7.5 per cent range.

Mortgage rates		
1 Year	Q2 2010	3.70
	Change from Q2 2009	-0.15
	2010 (F)	4.11
	2011 (F)	5.54
5 Year	Q2 2010	6.04
	Change from Q1 2009	0.59
	2010 (F)	6.18
	2011 (F)	7.08

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2010 data

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Gatineau	Q2 2010	1.1	6.5	867.14	Q2 2010	948	337	611	1,425	221,889
	Q2 2009	-5.0	5.5	871.29	Q2 2009	823	282	541	1,439	208,616
	Change[1]	6.1	1.0	-0.5%	% Change	15.2	19.5	12.9	-1.0	6.4
Montréal	Q2 2010	3.9	8.5	756.23	Q2 2010	6,285	1,934	4,351	13,238	299,390
	Q2 2009	-0.4	9.5	751.86	Q2 2009	4,868	1,529	3,339	13,728	272,135
	Change[1]	4.3	-1.0	0.6%	% Change	29.1	26.5	30.3	-3.6	10.0
Québec	Q2 2010	1.0	5.6	776.80	Q2 2010	2,050	708	1,342	1,977	235,744
	Q2 2009	0.7	4.8	730.06	Q2 2009	1,662	614	1,048	2,356	212,114
	Change[1]	0.3	0.8	6.4%	% Change	23.3	15.3	28.1	-16.1	11.1
Saguenay	Q2 2010	1.9	8.1	724.60	Q2 2010	302	167	135	404	168,823
	Q2 2009	0.7	9.4	722.00	Q2 2009	157	107	50	530	155,668
	Change[1]	1.2	-1.3	0.4%	% Change	92.4	56.1	170.0	-23.8	8.5
Sherbrooke	Q2 2010	2.9	8.0	720.04	Q2 2010	641	218	423	471	213,890
	Q2 2009	-0.4	8.8	712.98	Q2 2009	490	254	236	535	195,097
	Change[1]	3.3	-0.8	1.0%	% Change	30.8	-14.2	79.2	-12.0	9.6
Trois Rivières	Q2 2010	-0.2	8.3	721.83	Q2 2010	416	140	276	271	150,013
	Q2 2009	-6.7	8.3	697.84	Q2 2009	323	132	191	323	143,503
	Change[1]	6.6	0.0	3.4%	% Change	28.8	6.1	44.5	-16.1	4.5
Quebec	June 10	2.3	7.8	742.31	Q2 2010	15,922	6,765	9,157	24,304	$250,147
	June 09	-0.7	8.7	730.02	Q2 2009	11,599	5,359	6,240	25,338	228,897
	Change[1]	3.0	-0.9	1.7%	% Change	37.3	26.2	46.7	-4.1	9.3
Canada	June 10	2.2	7.9	814.97	Q2 2010	55,287	28,958	26,329	143,140	$344,952
	June 09	-1.9	8.6	799.01	Q2 2009	35,798	19,029	16,769	147,291	318,675
	Change[1]	4.1	-0.7	2.0%	% Change	54.4	52.2	57.0	-2.8	8.2

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®
"SA" means Seasonally Adjusted

Quebec Housing Market Outlook (units and percentage change)											
	2005	2006	2007	2008	2009	2010(F)	2011(F)	2010Q1	2010Q2	2010Q3 (F)	2010Q4 (F)
Housing Starts:											
Single	23,930	21,917	22,177	19,778	17,535	19,525	17,800	20,100	19,900	19,500	18,500
%	-17.1	-8.4	1.2	-10.8	-11.3	11.3	-8.8	-2.0	-1.0	-2.0	-5.1
Multiple	26,980	25,960	26,376	28,123	25,868	29,900	24,800	32,400	35,000	28,000	24,500
%	-8.8	-3.8	1.6	6.6	-8.0	15.6	-17.1	23.2	8.0	-20.0	-12.5
Total	50,910	47,877	48,553	47,901	43,403	49,425	42,600	52,500	54,900	47,500	43,000
%	-12.9	-6.0	1.4	-1.3	-9.4	13.9	-13.8	12.2	4.6	-13.5	-9.5
Existing Home Markets:											
MLS® Sales	70,385	71,622	80,649	76,762	79,290	81,800	81,100	91,704	78,432	78,000	79,000
%	3.1	1.8	12.6	-4.8	3.3	3.2	-0.9	2.8	-14.5	-0.6	1.3
MLS® Average Price	184,492	195,171	207,530	215,307	225,412	238,900	242,000	238,072	239,766	238,500	239,500
%	7.4	5.8	6.3	3.7	4.7	6.0	1.3	0.9	0.7	-0.5	0.4

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Source: CMHC (Starts and Completions Survey), CREA

Quebec Region - Housing Forecast Ranges

	2010			2011		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	49,425	52,700	45,800	42,600	50,800	35,200
Multiple	29,900	31,300	28,000	24,800	28,800	21,200
Single	19,525	21,400	17,800	17,800	22,000	14,000
MLS® Sales	81,800	84,000	79,500	81,100	87,000	75,700
MLS® Average Price ($)	238,900	243,000	235,000	242,000	253,000	231,200
Canada						
Housing Starts	184,900	198,400	170,200	176,900	210,500	146,900
Multiple	91,300	95,800	85,000	90,500	105,000	77,900
Single	93,600	102,600	85,200	86,400	105,500	69,000
MLS® Sales	463,800	485,700	450,000	456,000	490,700	425,000
MLS® Average Price ($)	338,900	345,500	331,000	342,200	357,000	327,800

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010	YTD 2009	% chg (2009/2010)
Gatineau	Single-Detached	1,056	950	-10.0	850	-10.5	450	469	-4.1
	Multiple	2,060	1,900	-7.8	1,750	-7.9	869	972	-10.6
	Total	3,116	2,850	-8.5	2,600	-8.8	1,319	1,441	-8.5
Montréal	Single-Detached	5,446	6,100	12.0	5,700	-6.6	3,254	2,325	40.0
	Multiple	13,805	15,700	13.7	14,000	-10.8	7,938	6,296	26.1
	Total	19,251	21,800	13.2	19,700	-9.6	11,192	8,621	29.8
Québec	Single-Detached	1,746	1,800	3.1	1,600	-11.1	1,034	845	22.4
	Multiple	3,767	4,100	8.8	4,000	-2.4	2,141	1,308	63.7
	Total	5,513	5,900	7.0	5,600	-5.1	3,175	2,153	47.5
Saguenay	Single-Detached	337	390	15.7	350	-10.3	190	121	57.0
	Multiple	247	760	207.7	300	-60.5	168	68	147.1
	Total	584	1,150	96.9	650	-43.5	358	189	89.4
Sherbrooke	Single-Detached	668	660	-1.2	630	-4.5	306	367	-16.6
	Multiple	912	1,000	9.6	900	-10.0	669	382	75.1
	Total	1,580	1,660	5.1	1,530	-7.8	975	749	30.2
Trois Rivières	Single-Detached	375	375	0.0	360	-4.0	181	156	16.0
	Multiple	652	1,125	72.5	500	-55.6	698	241	189.6
	Total	1,027	1,500	46.1	860	-42.7	879	397	121.4

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Resale Market

		2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD	YTD	% chg (/)
Gatineau	MLS® Sales[1]	4,335	4,400	1.5	4,250	-3.4	1,425	1,439	1.0
	MLS® Avg. Price[1]	206,005	215,300	4.5	220,500	2.4	221,889	208,616	-6.0
Montreal	MLS® Sales[1]	41,802	43,300	3.6	42,500	-1.8	13,238	13,728	3.7
	MLS® Avg. Price[1]	274,842	292,700	6.5	298,800	2.1	299,390	272,135	-9.1
Québec	MLS® Sales[1]	7,969	7,400	-7.1	7,800	5.4	1,977	2,356	19.2
	MLS® Avg. Price[1]	212,198	232,000	9.3	248,000	6.9	235,744	212,114	-10.0
Saguenay	MLS® Sales[1]	1,472	1,400	-4.9	1,450	3.6	404	530	31.2
	MLS® Avg. Price[1]	151,911	163,000	7.3	170,000	4.3	168,823	155,668	-7.8
Sherbrooke	MLS® Sales[1]	1,803	1,810	0.4	1,820	0.6	471	535	13.6
	MLS® Avg. Price[1]	193,245	203,000	5.0	207,000	2.0	213,890	195,097	-8.8
Trois Rivieres	MLS® Sales[1]	1,036	960	-7.3	930	-3.1	271	323	19.2
	MLS® Avg. Price[1]	142,048	148,500	4.5	154,000	3.7	150,013	143,503	-4.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).
Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

[1] Source for the province of Quebec :Canadian Real Estate Association (CREA), historical data and forecasts based on information available up to April 23rd, 2010. Source for the CMA's : QFREB by Centris®
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2009	Oct 2010(F)	Oct 2009	Oct 2010(F)
Gatineau	2.2	2.6	690	705
Montréal	2.5	2.5	669	678
Québec	0.6	0.6	676	700
Saguenay	1.5	2.0	518	535
Sherbrooke	3.9	4.8	553	560
Trois Rivières	2.7	2.7	520	530
Canada	3.0	2.8	0	0

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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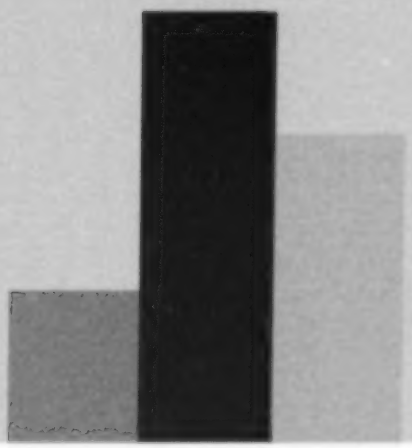

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